

Charter Township of Huron

**Financial Report
with Supplemental Information
December 31, 2007**

Charter Township of Huron

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Independent Auditor's Report

To the Township Board
Charter Township of Huron, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Huron (the "Township") as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Huron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Huron as of December 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparisons (identified in the table of contents as required supplemental information) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board
Charter Township of Huron, Michigan

The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Huron, Michigan's basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

June 2, 2008

Charter Township of Huron

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Huron's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2007. Generally, amounts used in this discussion are approximations or rounded figures. The amounts in the basic financial statements and related notes are rounded to the nearest dollar. Please read this discussion in conjunction with the Township's basic financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2007:

The Township's General Fund continues to maintain a comfortable fund balance of \$1.8 million. The unreserved portion is \$1.3 million, which represents 38 percent of annual expenditures. Careful forecasting of revenue sources and keeping spending down for the last two fiscal years have resulted in net losses of only \$1,300 in 2006 and \$8,800 in 2007. To continue to "break-even" with our revenue and expenses will be a challenge.

This strategy is also reflected in the Police Fund, which came out of a \$73,000 loss in 2006 with a net gain of \$226,000 in 2007, ending with a fund balance of \$255,900. This is only 9 percent of the fund's annual expenditures, but a lot more comfortable than being underfunded. Partly contributing to this achievement was the millage renewal effective in 2006 of 2.00 mills from the rollback of 1.68 netting about \$150,000 and the promoting from within of two acting police chiefs and not filling full-time vacancies for an estimated saving of \$100,000.

The fire department is experiencing a growing period since it began hiring full-time firemen in 2003. Even though 2006 and 2007 show net losses of \$17,700 and \$24,575, respectively, the Fire Fund has a fund balance of \$1.6 million. The department's growth will be monitored while paying off an equipment purchase agreement that is maturing in 2008 and revenue bonds that will not mature until 2018.

The Township has also accomplished a few capital improvement projects. Phase 1 of a beautification project to add street lights and replace sidewalks in the village of New Boston was completed in 2007, including \$60,000 for street lights and \$115,000 for sidewalks. Phase 2 will complete the remaining sidewalk work in 2008 at an estimated cost of \$130,000. A Downtown Development Authority has also been created for this area and further improvements are anticipated.

The ground breaking for a park at the Township's senior citizen center took place in 2007. With only about 25 percent of the work done by the end of the year, the park is expected to be completed by July 2008. It is estimated that the total project cost will be about \$200,000 and funded almost entirely with federal CDBG funds.

Charter Township of Huron

Management's Discussion and Analysis (Continued)

Using this Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements, including the statement of net assets and the statement of activities, provide information about the activities of the Charter Township of Huron as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and the prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Assets						
Current assets	\$ 9,051,671	\$ 10,075,793	\$ 3,629,846	\$ 4,216,508	\$ 12,681,517	\$ 14,292,301
Noncurrent assets	<u>5,688,224</u>	<u>5,657,315</u>	<u>35,538,459</u>	<u>35,193,605</u>	<u>41,226,683</u>	<u>40,850,920</u>
Total assets	14,739,895	15,733,108	39,168,305	39,410,113	53,908,200	55,143,221
Liabilities						
Current liabilities	4,925,673	5,230,711	659,782	750,021	5,585,455	5,980,732
Long-term liabilities	<u>1,091,733</u>	<u>887,548</u>	<u>5,361,458</u>	<u>4,962,546</u>	<u>6,453,191</u>	<u>5,850,094</u>
Total liabilities	<u>6,017,406</u>	<u>6,118,259</u>	<u>6,021,240</u>	<u>5,712,567</u>	<u>12,038,646</u>	<u>11,830,826</u>
Net Assets						
Invested in capital assets -						
Net of related debt	4,664,850	4,694,897	25,988,648	25,781,152	30,653,498	30,476,049
Restricted	2,519,398	2,775,199	5,804,114	6,093,369	8,323,512	8,868,568
Unrestricted	<u>1,538,241</u>	<u>2,144,753</u>	<u>1,354,303</u>	<u>1,823,025</u>	<u>2,892,544</u>	<u>3,967,778</u>
Total net assets	<u>\$ 8,722,489</u>	<u>\$ 9,614,849</u>	<u>\$ 33,147,065</u>	<u>\$ 33,697,546</u>	<u>\$ 41,869,554</u>	<u>\$ 43,312,395</u>

Charter Township of Huron

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current and prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenue						
Program revenue:						
Charges for services	\$ 2,120,306	\$ 1,839,217	\$ 3,043,168	\$ 3,465,101	\$ 5,163,474	\$ 5,304,318
Operating grants and contributions	322,374	314,809	-	148,554	322,374	463,363
Capital grants and contributions	-	-	43,175	133,160	43,175	133,160
General revenue:						
Property taxes	3,548,112	4,016,969	73	-	3,548,185	4,016,969
State-shared revenue	1,042,382	1,208,680	-	-	1,042,382	1,208,680
Unrestricted investment earnings	373,770	381,495	294,394	352,104	668,164	733,599
Franchise fees	119,935	131,676	-	-	119,935	131,676
Transfers and other revenue	93,148	99,574	(14,123)	(34,523)	79,025	65,051
Total revenue	7,620,027	7,992,420	3,366,687	4,064,396	10,986,714	12,056,816
Program Expenses						
General government	1,529,017	1,493,879	-	-	1,529,017	1,493,879
Public safety	4,685,403	4,389,214	-	-	4,685,403	4,389,214
Public works	746,798	890,317	-	-	746,798	890,317
Community and economic development	162,988	231,839	-	-	162,988	231,839
Culture and recreation	33,606	45,896	-	-	33,606	45,896
Interest on long-term debt	54,637	48,915	-	-	54,637	48,915
Water and sewer	-	-	2,938,141	3,513,915	2,938,141	3,513,915
Total expenses	7,212,449	7,100,060	2,938,141	3,513,915	10,150,590	10,613,975
Change in Net Assets	\$ 407,578	\$ 892,360	\$ 428,546	\$ 550,481	\$ 836,124	\$ 1,442,841

The Township's total governmental revenues remained fairly consistent and increased by approximately \$373,000, or 5 percent. Building licenses and permits have continued to decrease. The building licenses and permits fell 40 percent from 2006 to 2007, or approximately \$300,000 to \$181,000, respectively. Steps have already been taken to reduce costs accordingly. The 2 percent increase in investment earnings in 2007 has contributed to the increase in overall governmental revenues. Also, the taxable value of property within the Township has increased, resulting in an increase in tax revenue collections.

Expenditures remained fairly consistent and decreased from 2006 to 2007 by approximately \$112,000, or less than 2 percent.

Business-type Activities

Huron Township's business-type activities consist of providing water and sewer service. We provide water to residents from the Detroit water system. Sewage treatment is provided through the South Huron Valley Utility Authority sewage treatment plant.

Charter Township of Huron

Management's Discussion and Analysis (Continued)

The increase in net assets from 2006 to 2007 is due in part to a state grant that the Township received. The purpose of the grant is to assess the inflow and infiltration of the Township's sewer system for potential improvements. At the end of 2006 and for all of 2007, the Township began to include a capital construction charge on all quarterly water billing statements. These charges will be used to fund future replacement costs that are required of the system. Finally, the Township increased the water and sewer rates to cover the necessary rising operation and maintenance costs of the systems. Already agreed-to system improvements, due to the South Huron Valley Utility Authority, will continue to be paid from user charges collected on consumers' water bills.

The Township's Funds

The Township's major funds for 2007 are the General, Fire, and Police Funds. The funds' financial statements provide detailed information about the most significant funds, not the Township as a whole. The funds help manage money for specific purposes and show accountability for certain activities, such as special property tax millages.

The General Fund provides for most of the Township's governmental services including the administrative offices of the supervisor, clerk, and treasurer. Senior and recreation programs are also included. Administrative operations, including facilities management, amounted to approximately \$1,250,000 for 2007. Public safety expenditures included in the General Fund include building code enforcement and police and fire dispatch services. These expenditures totaled approximately \$291,000 and \$369,000, respectively.

The Fire Fund records the operations of the fire department. Revenues included approximately \$969,000 of property taxes and \$258,000 in rescue services, fire run charges, grants, and other. Expenditures and transfers totaled \$1,251,717. The excess of expenditures over revenue for 2007 was \$24,575.

The Police Fund records the operations of the police department. Revenues included approximately \$2,404,000 of property taxes, \$93,000 in federal and state grants, \$257,000 from community programs and other, and \$217,000 of court fines and fees for a total of \$2,971,000. Expenditures, net of debt proceeds and transfers, totaled approximately \$2,745,000. The Police Fund did not receive any transfers. The fund began with approximately a \$30,000 surplus and finished the year with a surplus of almost \$256,000.

Both the Police and Fire Funds are partially supported by special millages. In 2007, the police and fire millages were sufficient, along with other program income, to sustain the police and fire departments. Both the Police and Fire Funds ended the year with a surplus without the assistance of the General Fund. The Police Fund fund balance increased from approximately \$30,000 to \$256,000, primarily due to a 5.3 percent increase in taxable value and the renewal of the police millage that increase from 1.6678 mills to 2 mills. The Fire Fund saw a 2 percent reduction in fund balance from 2006 to 2007. Fund balance was \$1,657,578 and \$1,633,003 in 2006 and 2007, respectively.

Charter Township of Huron

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The majority of the General Fund departments stayed below budget, resulting in total expenditures \$330,000 below budget.

The most significant change was the approximately \$119,000 decrease in building licenses and permits revenue, approximately 50 percent less than last year. Expenditures for the building department were subsequently reduced by approximately \$195,000 from the prior year. The actual net loss for the department was \$111,000, which reduced the construction code fees surplus to \$254,000. Management will continue to closely monitor this situation as economic conditions change.

Notable also was the increase in transfers to other funds of approximately \$327,000 from the General Fund. The primary recipient was the Capital Improvement Fund for \$200,000. The Retirees' Benefit Fund also received approximately \$127,000. Actual transfers for the year, however, were approximately \$100,000 under budget. This was primarily due to the absence of a transfer to the Police Fund that the Township typically has incurred in prior years.

The end result was that actual revenues fell short of expenses for the year by less than \$9,000, decreasing the General Fund's fund balance from \$1,866,971 to \$1,858,095 at December 31, 2007.

Capital Asset and Debt Administration

At the end of 2007, the Township had \$36,757,551 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. The water and sewer assets account for approximately 85 percent of the capital assets, with only 15 percent invested in governmental assets. In addition, the Township has invested in roads within the Township. These assets are not reported in the Township's financial statements because they are the property of Wayne County, which also has the responsibility to maintain them.

The Township's debt obligations at the end of 2007 are approximately \$6,771,000. Of that amount, approximately \$5,295,000 is related to the water and sewer system for improvements made in past years. Debt related to the purchase of fire department equipment totals \$757,840. Accrued compensated absences total \$489,695. The remaining balance is primarily from road improvements and the purchase of police equipment.

Economic Factors and Next Year's Budgets and Rates

The 2007 fiscal year ended with a fund balance of \$4.9 million in total for the government funds: \$1.9 million for public safety, \$1.6 million for reserves and nonmajor funds, and a reasonably comfortable undesignated General Fund surplus of \$1.4 million. However, economic factors are threatening and next year's budget will warrant close monitoring. The Township is already implementing plans to reduce costs and seek out new revenues.

Charter Township of Huron

Management's Discussion and Analysis (Continued)

The Township's revenues have stayed fairly consistent except for the building department's licenses and permits. State revenue-sharing funds, brought up after the 2000 census with a population increase of 31.5 percent, have been reduced by about \$200,000 since 2001, from \$1,214,000 to \$1,012,000 (2008 estimate). Still at risk is the statutory portion of \$91,000.

Building permits have been cut in half each year since 2004 when they peaked at \$1,099,700 then dropped to \$616,600 (2005), \$358,700 (2006), and finally to \$180,700 for 2007. They are expected to start back up in 2008 beginning with three or four new developments to the area that will generate at least \$200,000 in permits and create 1,500 to 2,000 jobs in 2008. Costs for the building department have been cut in half from 2006 with expenses totaling \$486,300 to \$291,100 in 2007. The department was restructured by reassigning staff to other departments to keep costs down and carefully utilizes the construction code activities reserves. This practice is anticipated to continue but shift back as the economy improves for the building industry.

The Police Fund ended 2007 with a surplus of \$255,900. The police department will continue with next year's budget to implement the cost savings plans implemented in 2006-2007 such as limiting capital spending, eliminating overtime, and putting a hold on the replacement of officers retiring in 2008. The Township will be placing on the ballot in 2008 the renewal of 3 mills (from a rollback of 2.8717 mills) for the police department that expires with the 2010 budget. This renewal represents 50 percent of its budget.

The Fire Fund has an equipment purchase agreement that is maturing in 2008 with a balance of \$147,840 due at 5.23 percent interest. The fund also makes annual payments of \$73,000 for revenue bonds that will not mature until 2018. They will continue their program to provide full-time fire and rescue services to the Township's residence which support the department with 2 mills (rollback 1.9649 mills) representing 60 percent of revenues budgeted for 2008.

We anticipate that the water rates will increase in 2007. The process of evaluating the existing rates and expected costs of maintaining and operating the water and sewer system is underway and being reviewed by the Township board. The results of this evaluation will be presented to the public in mid-2007.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Huron

Statement of Net Assets December 31, 2007

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments (Note 3)	\$ 5,511,100	\$ 3,051,805	\$ 8,562,905	\$ 910,989
Receivables - Net (Note 5)	4,040,035	757,310	4,797,345	-
Prepaid costs and other assets	112,196	233,262	345,458	-
Due from primary government	-	-	-	33,962
Inventories	-	106,131	106,131	-
Internal balances	(68,000)	68,000	-	-
Due from other governmental units	480,462	-	480,462	29,744
Restricted assets (Note 1)	-	4,093,369	4,093,369	-
Capital assets - Net (Note 6):				
Depreciated	4,443,663	31,100,236	35,543,899	416,592
Nondepreciated	1,213,652	-	1,213,652	1,024,759
Total assets	15,733,108	39,410,113	55,143,221	2,416,046
Liabilities				
Accounts payable	145,760	210,757	356,517	149,090
Accrued and other liabilities	196,226	103,040	299,266	-
Due to component units	33,962	-	33,962	-
Compensated absences (Note 7):				
Due within one year	258,306	50,202	308,508	-
Due in more than one year	151,703	29,484	181,187	-
Long-term debt (Note 7):				
Due within one year	226,573	386,022	612,595	115,953
Due in more than one year	735,845	4,933,062	5,668,907	120,237
Deferred revenue (Note 5)	4,369,884	-	4,369,884	-
Total liabilities	6,118,259	5,712,567	11,830,826	385,280
Net Assets				
Invested in capital assets - Net of related debt	4,694,897	25,781,152	30,476,049	1,205,161
Restricted:				
Construction code activities (Note 2)	254,156	-	254,156	-
Solid waste	205,852	-	205,852	-
Public safety	1,935,463	-	1,935,463	-
Drug law enforcement	138,935	-	138,935	-
Road improvement	240,793	-	240,793	-
Debt service	-	683,108	683,108	-
Capital construction reserve	-	354,136	354,136	-
Replacement reserve	-	3,056,125	3,056,125	-
Working capital reserve	-	2,000,000	2,000,000	-
Unrestricted	2,144,753	1,823,025	3,967,778	825,605
Total net assets	<u>\$ 9,614,849</u>	<u>\$ 33,697,546</u>	<u>\$ 43,312,395</u>	<u>\$ 2,030,766</u>

Charter Township of Huron

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
			Capital Grants and Contributions
Primary government:			
General government	\$ 1,493,879	\$ 904,791	\$ 107,024
Public safety	4,389,214	786,781	207,785
Public works	890,317	140,000	-
Community and economic development	231,839	-	-
Cultural and recreation	45,896	7,645	-
Interest on long-term debt	48,915	-	-
Total governmental activities	7,100,060	1,839,217	314,809
Business-type activities - Water and sewer	3,513,915	3,465,101	148,554
Total primary government	<u>\$ 10,613,975</u>	<u>\$ 5,304,318</u>	<u>\$ 463,363</u>
Component units	<u>\$ 66,853</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues (expenses):			
Property taxes			
State-shared revenues			
Interest			
Cable franchise fees			
Miscellaneous			
Loss on disposal of capital assets			
Total general revenues (expenses)			
Transfers			
Total general revenues (expenses) and transfers			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

Statement of Activities
Year Ended December 31, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (482,064)	\$ -	\$ (482,064)	\$ -
(3,394,648)	-	(3,394,648)	-
(750,317)	-	(750,317)	-
(231,839)	-	(231,839)	-
(38,251)	-	(38,251)	-
(48,915)	-	(48,915)	-
(4,946,034)	-	(4,946,034)	-
-	232,900	232,900	-
(4,946,034)	232,900	(4,713,134)	-
			(66,853)
4,016,969	-	4,016,969	330,224
1,208,680	-	1,208,680	-
381,495	352,104	733,599	136,768
131,676	-	131,676	-
113,019	-	113,019	-
(47,968)	-	(47,968)	-
5,803,871	352,104	6,155,975	466,992
34,523	(34,523)	-	-
5,838,394	317,581	6,155,975	466,992
892,360	550,481	1,442,841	400,139
8,722,489	33,147,065	41,869,554	1,630,627
\$ 9,614,849	\$ 33,697,546	\$ 43,312,395	\$ 2,030,766

Charter Township of Huron

Governmental Funds Balance Sheet December 31, 2007

	General Fund	Fire Fund	Police Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 1,866,900	\$ 1,779,370	\$ 640,641	\$ 1,224,189	\$ 5,511,100
Receivables - Net (Note 5)	633,103	962,342	2,195,672	248,918	4,040,035
Prepaid costs and other assets	39,413	19,135	53,648	-	112,196
Due from other funds (Note 4)	101,395	42,000	80,000	-	223,395
Due from other governmental units	436,416	-	44,046	-	480,462
Total assets	<u>\$ 3,077,227</u>	<u>\$ 2,802,847</u>	<u>\$ 3,014,007</u>	<u>\$ 1,473,107</u>	<u>\$ 10,367,188</u>
Liabilities					
Accounts payable	\$ 102,119	\$ 13,157	\$ 14,605	\$ 15,879	\$ 145,760
Accrued and other liabilities	76,048	36,994	83,184	-	196,226
Due to other funds (Note 4)	190,000	-	-	101,395	291,395
Due to component units	3,736	8,830	21,396	-	33,962
Deferred revenue (Note 5)	847,229	1,110,863	2,638,900	230,863	4,827,855
Total liabilities	1,219,132	1,169,844	2,758,085	348,137	5,495,198
Fund Balances					
Reserved for:					
Construction code activities (Note 2)	254,156	-	-	-	254,156
Solid waste	205,852	-	-	-	205,852
Prepaid costs	39,413	19,135	53,648	-	112,196
Unreserved - Undesignated, reported in:					
Special Revenue Funds	-	1,613,868	202,274	1,035,167	2,851,309
Capital Projects Fund	-	-	-	89,803	89,803
General Fund	1,358,674	-	-	-	1,358,674
Total fund balances	1,858,095	1,633,003	255,922	1,124,970	4,871,990
Total liabilities and fund balances	<u>\$ 3,077,227</u>	<u>\$ 2,802,847</u>	<u>\$ 3,014,007</u>	<u>\$ 1,473,107</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	5,657,315
Deferred revenue is reported in the funds for special assessment receivables to be collected over several years	230,863
Deferred revenue is reported in the funds for other receivables to be collected more than 60 days following year end	227,108
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,372,427)
Net assets of governmental activities	<u>\$ 9,614,849</u>

Charter Township of Huron

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2007

	General Fund	Fire Fund	Police Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 643,796	\$ 969,062	\$ 2,403,511	\$ -	\$ 4,016,369
Licenses and permits	333,341	-	-	-	333,341
Federal sources	87,237	25,227	23,741	-	136,205
State sources	1,047,896	-	92,783	-	1,140,679
Local sources	-	-	-	50,951	50,951
Charges for services	907,922	127,065	163,080	-	1,198,067
Fines and forfeitures	-	-	-	103,927	103,927
Court fines and fees	-	-	217,699	-	217,699
Interest and other	336,909	105,788	70,075	98,578	611,350
Total revenues	3,357,101	1,227,142	2,970,889	253,456	7,808,588
Expenditures					
General government	1,229,044	-	-	-	1,229,044
Public safety	659,908	1,024,009	2,473,394	-	4,157,311
Public works	810,845	-	-	-	810,845
Health and welfare	173,173	-	-	-	173,173
Recreation and cultural	53,981	-	-	-	53,981
Insurance and bonds	48,978	-	-	-	48,978
Planning, development, and other	234,000	-	-	-	234,000
Capital outlay	-	46,543	66,277	161,524	274,344
Retiree healthcare costs	-	-	-	101,280	101,280
Debt service	-	-	-	151,003	151,003
Total expenditures	3,209,929	1,070,552	2,539,671	413,807	7,233,959
Excess of Revenues Over (Under) Expenditures	147,172	156,590	431,218	(160,351)	574,629
Other Financing Sources (Uses)					
Transfers in (Note 4)	170,951	-	-	668,798	839,749
Transfers out (Note 4)	(326,999)	(181,165)	(246,111)	(50,951)	(805,226)
Proceeds from long-term debt issue	-	-	41,132	-	41,132
Total other financing sources (uses)	(156,048)	(181,165)	(204,979)	617,847	75,655
Net Change in Fund Balances	(8,876)	(24,575)	226,239	457,496	650,284
Fund Balances - Beginning of year	1,866,971	1,657,578	29,683	667,474	4,221,706
Fund Balances - End of year	<u>\$ 1,858,095</u>	<u>\$ 1,633,003</u>	<u>\$ 255,922</u>	<u>\$ 1,124,970</u>	<u>\$ 4,871,990</u>

Charter Township of Huron

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 650,284

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	17,058
Loss on disposal of capital assets that were not fully depreciated	(47,967)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	227,108
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(29,832)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	102,089
Proceeds from issuance of long-term debt are not reported as financing sources on the statement of activities	(41,132)
The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	14,752

Change in Net Assets of Governmental Activities \$ 892,360

Charter Township of Huron

Proprietary Funds Statement of Net Assets December 31, 2007

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and investments (Note 3)	\$ 3,051,805
Receivables - Net (Note 5)	757,310
Due from other funds (Note 4)	68,000
Inventories	106,131
Prepaid costs and other assets	233,262
Total current assets	4,216,508
Noncurrent assets:	
Restricted assets	4,093,369
Capital assets	31,100,236
Total noncurrent assets	35,193,605
Total assets	39,410,113
Liabilities	
Current liabilities:	
Accounts payable	210,757
Accrued and other liabilities	103,040
Current portion of long-term debt:	
Debt	386,022
Compensated absences	50,202
Total current liabilities	750,021
Long-term debt - Net of current portion:	
Debt	4,933,062
Compensated absences	29,484
Total noncurrent liabilities	4,962,546
Total liabilities	5,712,567
Net Assets	
Investment in capital assets - Net of related debt	25,781,152
Restricted:	
Water capital construction reserve	354,136
Debt service	683,108
Sewer replacement reserve	3,056,125
Working capital reserve	2,000,000
Unrestricted	1,823,025
Total net assets	<u><u>\$ 33,697,546</u></u>

Charter Township of Huron

Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended December 31, 2007

	Enterprise Fund - Water and Sewer
Operating Revenues	
Water sales	\$ 2,360,805
Sewage disposal	897,632
Connection fees	116,970
Penalties	63,010
Other	26,684
Total operating revenues	3,465,101
Operating Expenses	
Cost of water	854,361
Cost of sewage disposal	523,984
Operation and maintenance	758,037
General and administrative	456,644
Depreciation	769,427
Total operating expenses	3,362,453
Operating Income	102,648
Nonoperating Revenue (Expense)	
State grants	148,554
Interest income	352,104
Interest expense	(151,462)
Water reserve revenue	38,120
Sewer reserve revenue	95,040
Total nonoperating revenue	482,356
Net Income - Before other financing uses	585,004
Other Financing Uses - Operating transfers out	(34,523)
Change in Net Assets	550,481
Net Assets - Beginning of year	33,147,065
Net Assets - End of year	\$ 33,697,546

Charter Township of Huron

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2007

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 3,230,805
Payments to suppliers	(1,834,388)
Payments to employees	(654,636)
Internal activity - Payments to/from other funds	<u>(50,552)</u>
Net cash provided by operating activities	691,229
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(135,318)
Water and sewer debt reserve collections	133,160
State grants	148,554
Principal and interest payments on long-term debt	<u>(566,185)</u>
Net cash used in noncapital financing activities	(419,789)
Cash Flows from Noncapital and Related Financing Activities -	
Transfer to other funds	(34,523)
Cash Flows from Investing Activities - Interest on cash and investments	<u>352,104</u>
Net Increase in Cash and Cash Equivalents	589,021
Cash and Cash Equivalents - Beginning of year	<u>6,556,153</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 7,145,174</u></u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 3,051,805
Restricted assets	<u>4,093,369</u>
Total	<u><u>\$ 7,145,174</u></u>

Charter Township of Huron

Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2007

Cash Flows from Operating Activities

Operating income	\$	102,648
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation		769,427
Changes in assets and liabilities:		
Receivables		(234,296)
Prepays and other assets		(2,048)
Due from other funds		(50,552)
Accounts payable		97,273
Accrued and other liabilities		8,777
Net cash provided by operating activities	\$	<u>691,229</u>

There were no noncash investing, capital, or financing activities in the current year.

Charter Township of Huron

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2007

	Agency Funds		
	Current Tax	Trust and Agency	Total
Assets - Cash and cash equivalents	\$ 939,689	\$ 531,001	\$ 1,470,690
Liabilities			
Accrued and other liabilities	\$ -	\$ 452,104	\$ 452,104
Tax collections distributable	13,568	73,830	87,398
Due to other governmental units	926,121	5,067	931,188
Total liabilities	\$ 939,689	\$ 531,001	\$ 1,470,690

Charter Township of Huron

Component Units Statement of Net Assets December 31, 2007

	Local Development Finance Authority	Local Development Finance Authority - Pinnacle	Total
Assets			
Cash and investments (Note 3)	\$ 910,989	\$ -	\$ 910,989
Due from primary government	33,962	-	33,962
Due from other governmental units	29,744	-	29,744
Due from LDFA - Pinnacle	26,596	-	26,596
Capital assets	<u>1,441,351</u>	<u>-</u>	<u>1,441,351</u>
Total assets	2,442,642	-	2,442,642
Liabilities			
Accounts payable	149,090	-	149,090
Due to LDFA	-	26,596	26,596
Long-term debt	<u>236,190</u>	<u>-</u>	<u>236,190</u>
Total liabilities	<u>385,280</u>	<u>26,596</u>	<u>411,876</u>
Net Assets			
Invested in capital assets - Net of related debt	1,205,161	-	1,205,161
Unrestricted	<u>852,201</u>	<u>(26,596)</u>	<u>825,605</u>
Net Assets - Unrestricted	<u>\$ 2,057,362</u>	<u>\$ (26,596)</u>	<u>\$ 2,030,766</u>

Charter Township of Huron

Component Units Statement of Activities Year Ended December 31, 2007

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
			Local Development Finance Authority - Pinnacle	Local Development Finance Authority - Pinnacle	Total
	Expenses	Operating Grants/ Contributions	Authority	Authority - Pinnacle	Total
Local Development Finance Authority - Operations	\$ 66,853	\$ -	\$ (66,853)	\$ -	\$ (66,853)
Local Development Finance Authority - Pinnacle - Operations	-	-	-	-	-
Total governmental activities	<u>\$ 66,853</u>	<u>\$ -</u>	(66,853)	-	(66,853)
General revenues:					
Property taxes			330,224	-	330,224
Interest and other			136,768	-	136,768
Total general revenues			<u>466,992</u>	<u>-</u>	<u>466,992</u>
Change in Net Assets			400,139	-	400,139
Net Assets (Deficit) - Beginning of year			<u>1,657,223</u>	<u>(26,596)</u>	<u>1,630,627</u>
Net Assets (Deficit) - End of year			<u>\$ 2,057,362</u>	<u>\$ (26,596)</u>	<u>\$ 2,030,766</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Huron (the "Charter Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Huron:

Reporting Entity

The Charter Township of Huron is governed by an elected seven-member board of trustees. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Aggregate discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Charter Township (see discussion below for description). Separate financial statements are not issued.

Discretely Presented Component Units

The Local Development Finance Authority (LDFA) and the Local Development Finance Authority - Pinnacle (LDFA - Pinnacle) component units are reported within the component unit column in the financial statements.

The authorities were created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Charter Township so as to provide needed services and facilities of such enterprises to the residents of the Charter Township.

The LDFA's governing body consists of 11 individuals. The school district board appoints two members. The Wayne County Community College board and the County of Wayne each appoint one member, and the Charter Township board appoints seven members. The LDFA - Pinnacle's governing body consists of 11 individuals. The Charter Township board appoints seven members. The Wayne County Community College board and the Wayne County board of commissioners each appoint one member, and the school district board appoints two members.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Charter Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - The Fire Fund is used to account for the proceeds of earmarked revenue or financing activities provided for the services and activities of the fire department.

Police Fund - The Police Fund is used to account for the proceeds of earmarked revenue or financing activities provided for the services and activities of the police department.

The Charter Township reports the following major proprietary fund:

Enterprise Fund - Water and Sewer - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the government reports the following fund types:

Agency Funds - Agency Funds are used to account for assets held by the Charter Township as an agent for individuals, organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Charter Township has elected not to apply private sector standards issued after December 1, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Charter Township's water and sewer function and various other functions of the Charter Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Charter Township's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended December 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2006 taxable valuation of the Township totaled \$513.2 million (a portion of which is abated and a portion of which is captured by the LDFA), on which taxes levied consisted of 0.7781 mills for operating purposes, 4.8717 mills for police protection, and 1.9649 mills for fire protection. After LDFA capture, this resulted in approximately \$385,000 for operations, \$971,000 for fire operations, and \$2,409,000 for police operations. The Township also received approximately \$209,000 in property tax administration fees. These amounts are recognized in the respective General, Police, and Fire Funds financial statements as tax revenue.

The Township annually sells its delinquent real property taxes to the County, which then becomes responsible for collecting the taxes and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent of face value, and in return the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Township is less than the face value that has been received, because of the time value of money; however, the net present value to the County is greater than this amount, because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received \$314,693 from this sale. At the end of the tax reversion process (approximately three years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories in the Enterprise Fund are valued at cost, on a first-in, first-out basis, which approximates market value. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets - In 1979, the Charter Township board adopted an ordinance that provides for a water and sewer reserve account that is funded by water and sewer tap fees.

These fees are reserved for major system repairs, extensions, or expansions of the system, matching monies for grants and debt retirement after a reserve of \$500,000 is established.

Restricted assets at December 31, 2007 consist of cash and investments in the amount of \$3,056,125 for future repairs, expansions, and extensions. Net assets have been restricted for the entire amount.

In addition, \$683,108 of cash and investments is included in restricted assets to be used for the debt service related to the South Huron Valley Utility Authority bonds and the Wayne County contracts. Net assets have been restricted for the entire amount.

Restricted assets also consist of \$354,136 in cash and investments derived from a capital charge that is being set aside for a future water main project. Net assets have been restricted for the entire amount.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	50 years
Land improvements	25 years
Utility system:	
Water and sewage distribution systems	60-80 years
Connections	60-80 years
Machinery and equipment	10 years
Office furnishings	5-10 years
Vehicles	5-10 years

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Charter Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Charter Township oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year's activity, as well as the cumulative surplus since January 1, 2000, is as follows:

Surplus at January 1, 2007		\$	364,636
Building permit revenue			180,688
Related expenses:			
Direct costs	\$	257,982	
Estimated indirect costs		<u>33,186</u>	<u>291,168</u>
Net current year activity			<u>(110,480)</u>
Surplus at December 31, 2007		\$	<u>254,156</u>

Deficit Elimination Plan

The LDFA - Pinnacle Fund (component unit) has a deficit of \$26,596 at December 31, 2007. As the LDFA - Pinnacle Fund captures taxes in the future, those proceeds will be used to eliminate the deficit.

Note 3 - Deposits and Investments

Deposits

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments (Continued)

The Charter Township has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, repurchase agreements, bankers' acceptance of United States banks, commercial paper rated within the three highest classifications established by not less than two standard rating services and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Charter Township's deposits and investment policies are in accordance with statutory authority.

The Charter Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Charter Township's deposits may not be returned to it. The Charter Township's policy for custodial credit risk includes provisions that require financial dealers and institutions to provide the Charter Township with audited financial statements, a certification that they have read the Charter Township's investment policy, and proof of licensure. The policy further states that the treasurer is required to perform an annual review of the financial condition and registrations of all institutions used as a depository for Charter Township funds. At year end, the Charter Township had \$6,387,772 of bank deposits (certificates of deposit, investment, checking, and savings accounts) that were uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the component units had \$118,793 of bank deposits that were uninsured and uncollateralized.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Charter Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day or less maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. agency securities	\$ 4,839,215	391 days
Commercial paper	2,115,541	34 days

Credit Risk

State law limits investments in commercial paper to the top three ratings issued by nationally recognized statistical rating organizations. The Charter Township's investment policy does not further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government), which are all composed of commercial paper, are as follows:

Fair Value	Rating	Rating Organization
\$ 494,594	AI	S&P
1,620,947	AI +	S&P

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables balances is as follows:

Fund Due To	Fund Due From	Amount
General Fund	Other nonmajor governmental funds	\$ 101,395
Special Revenue Funds:		
Fire Fund	General Fund	42,000
Police Fund	General Fund	<u>80,000</u>
Subtotal interfund receivables of governmental funds and activities		223,395
Enterprise Fund - Water and Sewer	General Fund	<u>68,000</u>
Total interfund receivables		<u>\$ 291,395</u>

Interfund balances represent routine and temporary cash flow assistance resulting from normal interfund activity until the amounts can be reimbursed between the funds.

The composition of operating transfers is as follows:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Capital Improvement Fund (2)	\$ 200,000
	Retirement Health Care Fund (3)	<u>126,999</u>
	Total General Fund	326,999
Fire Fund	General Fund (1)	20,000
	Other nonmajor governmental funds:	
	Retirement Health Care Fund (3)	60,000
	Debt Service Fund (4)	<u>101,165</u>
	Total Fire Fund	181,165
Police Fund	General Fund (1)	100,000
	Other nonmajor governmental funds:	
	Retirement Health Care Fund (3)	115,058
	Debt Service Fund (4)	<u>31,053</u>
	Total Police Fund	246,111

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
Other nonmajor governmental fund -		
911 Service Fund	General Fund	(1) \$ 50,951
Enterprise - Water and Sewer Fund	Retirement Health Care Fund	(3) 34,523
	Total operating transfers	<u>\$ 839,749</u>

- (1) Transfer for general operations
(2) Transfer for construction improvements
(3) Transfer for future retirement healthcare costs
(4) Transfer for retirement of long-term debt

Note 5 - Receivables and Deferred Revenue

Receivables as of year end for the Charter Township's individual major funds and the Road Improvement nonmajor fund are as follows:

	<u>Governmental Activities/Funds</u>					<u>Business-type Activities</u>	
	<u>General Fund</u>	<u>Fire Fund</u>	<u>Police Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Subtotal</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables:							
Taxes	\$ 446,830	\$ 886,835	\$ 2,178,268	\$ -	\$ 3,511,933	\$ 11,745	\$ 3,523,678
Customer	-	75,507	-	-	75,507	678,396	753,903
Special assessments	182,018	-	-	248,918	430,936	-	430,936
Other	4,255	-	17,404	-	21,659	67,169	88,828
Net receivables	<u>\$ 633,103</u>	<u>\$ 962,342</u>	<u>\$ 2,195,672</u>	<u>\$ 248,918</u>	<u>\$ 4,040,035</u>	<u>\$ 757,310</u>	<u>\$ 4,797,345</u>

The Charter Township considers all receivables to be collectible and has not recorded an allowance for doubtful accounts.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 5 - Receivables and Deferred Revenue (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue on the fund-based statements are as follows:

	Unavailable	Unearned	Total
Property taxes for 2008	\$ -	\$ 4,194,821	\$ 4,194,821
Ambulance runs	46,538	-	46,538
State-shared revenue	180,570	-	180,570
Special assessments	230,863	175,063	405,926
Total	<u>\$ 457,971</u>	<u>\$ 4,369,884</u>	<u>\$ 4,827,855</u>

In addition, the government-wide statements reflect deferred revenue for any amounts which are not earned as of the end of the fiscal year.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 6 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities was as follows:

	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 1,213,652	\$ -	\$ -	\$ 1,213,652
Capital assets being depreciated:				
Land improvements	-	124,811	-	124,811
Buildings and improvements	3,303,529	20,034	(2,500)	3,321,063
Vehicles	2,640,237	68,142	(168,972)	2,539,407
Office furnishings	249,670	32,050	-	281,720
Machinery and equipment	180,401	50,214	(12,735)	217,880
Subtotal	6,373,837	295,251	(184,207)	6,484,881
Accumulated depreciation:				
Buildings and improvements	483,569	68,256	(2,500)	549,325
Vehicles	1,219,776	156,098	(130,304)	1,245,570
Office furnishings	133,991	22,663	-	156,654
Machinery and equipment	61,929	31,176	(3,436)	89,669
Subtotal	1,899,265	278,193	(136,240)	2,041,218
Net capital assets being depreciated	4,474,572	17,058	(47,967)	4,443,663
Net capital assets	<u>\$ 5,688,224</u>	<u>\$ 17,058</u>	<u>\$ (47,967)</u>	<u>\$ 5,657,315</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 6 - Capital Assets (Continued)

	Balance January 1, 2007	Reclasses	Additions	Disposals and Adjustments	Balance December 31, 2007
Business-type Activities					
Capital assets not being depreciated -					
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:					
Utility system:					
Water and sewage distribution systems	40,993,278	-	-	-	40,993,278
Connections	702,782	-	-	-	702,782
Buildings and building improvements	81,006	-	12,960	-	93,966
Vehicles	255,027	-	37,918	(31,279)	261,666
Machinery and equipment	658,922	-	84,440	-	743,362
Office furnishings	11,740	-	-	-	11,740
Subtotal	42,702,755	-	135,318	(31,279)	42,806,794
Accumulated depreciation:					
Utility system:					
Water and sewer distribution systems	10,300,392	-	693,698	-	10,994,090
Connections	154,668	-	11,452	-	166,120
Buildings and building improvements	61,854	-	2,989	-	64,843
Vehicles	189,758	-	24,873	(31,279)	183,352
Machinery and equipment	249,998	-	36,415	-	286,413
Office furnishings	11,740	-	-	-	11,740
Subtotal	10,968,410	-	769,427	(31,279)	11,706,558
Net capital assets being depreciated	31,734,345	-	(634,109)	-	31,100,236
Net capital assets	<u>\$ 31,734,345</u>	<u>\$ -</u>	<u>\$ (634,109)</u>	<u>\$ -</u>	<u>\$ 31,100,236</u>
Component Units					
Capital assets not being depreciated -					
Land	\$ 632,281	\$ 266,478	\$ 126,000	\$ -	\$ 1,024,759
Capital assets being depreciated -					
Buildings and building improvements	721,000	(266,478)	-	-	454,522
Accumulated depreciation -					
Buildings and building improvements	28,840	-	9,090	-	37,930
Net capital assets being depreciated	692,160	(266,478)	(9,090)	-	416,592
Net capital assets	<u>\$ 1,324,441</u>	<u>\$ -</u>	<u>\$ 116,910</u>	<u>\$ -</u>	<u>\$ 1,441,351</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 68,979
Public safety	194,838
Public works	1,040
Community and economic development	<u>13,336</u>

Total governmental activities	<u>\$ 278,193</u>
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Business-type activities - Water and sewer	<u>\$ 769,427</u>
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Note 7 - Long-term Debt

The Charter Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Remaining Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Revenue bonds:						
State revenue-sharing bonds - Series 1998A:						
Original issue: \$255,000	4.65%-					
Maturing through 2018	5.2%	\$ 175,000	\$ -	\$ (10,000)	\$ 165,000	\$ 10,000
Fire equipment bonds - Series 1998A:						
Original issue: \$920,000	4.65%-					
Maturing through 2018	5.2%	650,000	-	(40,000)	610,000	45,000
Installment purchase agreements:						
Fire equipment:						
Original issue: \$295,000						
Maturing through 2008	5.23%	168,051	-	(20,211)	147,840	147,840
Police car:						
Original issue: \$20,601						
Maturing through 2007	5.80%	6,863	-	(6,863)	-	-
Police car:						
Original issue: \$25,579						
Maturing through 2008	5.80%	16,602	-	(8,028)	8,574	8,574
Two police cars:						
Original issue: \$41,132						
Maturing through 2010	6.90%	-	41,132	(14,635)	26,497	12,807
Copier:						
Original issue: \$7,056						
Maturing through 2008	5.80%	6,859	-	(2,352)	4,507	2,352
Subtotal		1,023,374	41,132	(102,089)	962,418	226,573
Compensated absences		424,761	-	(14,752)	410,009	258,306
Total governmental activities		<u>\$ 1,448,135</u>	<u>\$ 41,132</u>	<u>\$ (116,841)</u>	<u>\$ 1,372,427</u>	<u>\$ 484,879</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

	Remaining Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds - South Huron Valley						
Utility Authority Bonds:						
1998 Series Bonds:						
Original issue: \$1,188,704						
Maturing through 2011	2.00%	\$ 494,270	\$ -	\$ (95,170)	\$ 399,100	\$ 97,012
2004 Sewer System Plant Expansion Bonds:						
Original issue: \$2,227,183						
Maturing through 2026	2.00%	2,227,183	-	(90,585)	2,136,598	91,793
Sewer System Plant Expansion Bonds:						
Original issue: \$3,995,710						
Maturing through 2020	2.25%	2,983,835	-	(224,876)	2,758,959	185,411
Two DPW trucks:						
Original issue: \$41,132						
Maturing through 2010	6.90%	-	37,919	(13,492)	24,427	11,806
Wayne County Contracts:						
Flat Rock System Bonds:						
Original issue: \$1,350,000						
Maturing through 2007	5.70%	40,409	-	(40,409)	-	-
Subtotal		5,745,697	37,919	(464,532)	5,319,084	386,022
Compensated absences		67,796	11,890	-	79,686	50,202
Total business-type activities		<u>\$ 5,813,493</u>	<u>\$ 49,809</u>	<u>\$ (464,532)</u>	<u>\$ 5,398,770</u>	<u>\$ 436,224</u>
Component Units - Local Development						
Finance Authority						
Installment purchase agreement:						
Original issue: \$570,000						
Maturing through 2009	3.69%	<u>\$ 348,012</u>	<u>\$ -</u>	<u>\$ (111,822)</u>	<u>\$ 236,190</u>	<u>\$ 115,953</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to service all debt outstanding (excluding compensated absences), including both principal and interest, as of December 31, 2007 are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 226,573	\$ 48,775	\$ 275,348	\$ 386,022	\$ 115,202	\$ 501,224	\$ 115,953	\$ 8,726	\$ 124,679
2009	70,846	37,475	108,321	394,847	106,280	501,127	120,237	4,442	124,679
2010	60,000	33,945	93,945	390,988	97,129	488,117	-	-	-
2011	65,000	31,065	96,065	398,541	88,674	487,215	-	-	-
2012	65,000	27,880	92,880	302,923	81,085	384,008	-	-	-
2013-2017	385,000	82,618	467,618	1,616,449	301,762	1,918,211	-	-	-
2018-2022	89,999	4,680	94,679	1,305,130	119,373	1,424,503	-	-	-
2023-2027	-	-	-	524,184	22,586	546,770	-	-	-
Total	<u>\$ 962,418</u>	<u>\$ 266,438</u>	<u>\$ 1,228,856</u>	<u>\$ 5,319,084</u>	<u>\$ 932,091</u>	<u>\$ 6,251,175</u>	<u>\$ 236,190</u>	<u>\$ 13,168</u>	<u>\$ 249,358</u>

Total interest incurred related to governmental activities for the year approximated \$51,000. Total interest incurred related to business-type activities for the year approximated \$151,000.

Note 8 - Operating Lease

The Charter Township leases a building and land to be used as the Charter Township police station from the Local Development Finance Authority (LDFA). The lease expires March 31, 2015, but may be extended annually thereafter. Rent expense for the year ended December 31, 2007 totaled approximately \$55,000. The Charter Township may cancel the lease at any time, subject to a penalty ranging from \$100,000 to \$300,000, during the first 120 months of the lease.

Annual lease payments to expiration are as follows:

Years Ending December 31	Amount
2008	\$ 56,408
2009	58,100
2010	59,843
2011	61,639
2012	63,488
2013-2015	<u>149,708</u>
Total	<u>\$ 449,186</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 9 - Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township has purchased commercial insurance for workers' compensation and medical claims and participates in the Michigan Municipal Risk Management Authority (the "Authority") state risk pool for general and property claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program and the Authority risk pool program operate as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. For the Authority risk pool, a portion of the excess insurance coverage is underwritten by the Authority itself.

Note 10 - Postemployment Benefits

The Charter Township contributes certain amounts for healthcare benefits for all full-time employees upon retirement, in accordance with labor contracts. Currently, there are nine retirees and the related expense was \$101,280 in 2007. The Charter Township's policy requires the Charter Township to pay 100 percent of healthcare benefits for eligible retirees. Expenditures for postemployment healthcare benefits will be recognized as the insurance premiums become due.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the new employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 11 - Defined Benefit Pension Plans

Plan Description - The Charter Township participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time office staff, police officers, and dispatchers of the Charter Township. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiating with the Charter Township's competitive bargaining units and requires contributions from all employees that vary from year to year depending on negotiated benefits and funding levels. Under that bargaining agreement, the Charter Township is required to contribute 16.56 percent of gross wages for police staff, 10.35 percent for fire staff, and 16.37 percent of gross wages for all other eligible staff.

Annual Pension Costs - For the year ended December 31, 2007, the Charter Township's annual pension cost for the plan was equal to the Charter Township's actual contribution of \$493,889. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.9 percent per year, and (c) 2.5 percent per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 11 - Defined Benefit Pension Plans (Continued)

Three-year trend information as of December 31, 2007 is as follows:

	2005	2006	2007
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 483,280	\$ 507,003	\$ 493,889
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
	2004	2005	2006
Actuarial value of assets	\$ 4,854,255	\$ 5,684,368	\$ 6,629,404
Actuarial accrued liability (AAL) (entry age)	\$ 8,953,670	\$ 10,020,845	\$ 11,421,031
Unfunded AAL (UAAL)	\$ 4,099,415	\$ 4,336,477	\$ 4,791,627
Funded ratio	54.2%	56.7%	58.0%
Covered payroll	\$ 2,799,825	\$ 3,002,461	\$ 3,162,329
UAAL as a percentage of covered payroll	146.4%	144.4%	151.5%

Note 12 - Defined Contribution Pension Plan

The Charter Township provides pension benefits to all elected officials and certain other employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by state statute, the Charter Township contributes 10 percent of employees' gross earnings and employees contribute 5 percent of earnings. The Charter Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately.

In accordance with these requirements, the Charter Township contributed \$19,336 and employees contributed \$9,668.

Note 13 - Joint Ventures

The Charter Township is a member of the 34th District Court (the "Court"), which provides services to the member communities. The Court receives its operating revenue mainly from fines and fees, in addition to annual funding provided by member communities. The Charter Township received net revenue of approximately \$222,000 from the Court, after the Court deducted operating costs and amounts required to be distributed to other agencies.

Charter Township of Huron

Notes to Financial Statements December 31, 2007

Note 13 - Joint Ventures (Continued)

Complete financial statements for the Court can be obtained from the administrative offices at 11131 South Wayne Road, Romulus, Michigan 48174. The Charter Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Charter Township is a member of the South Huron Valley Utility Authority (the "Utility Authority"). The Utility Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, Woodhaven, and the village of South Rockwood. The Utility Authority was founded in order to acquire and operate a sewage and wastewater treatment system, formally operated by Wayne County. During the year, the Charter Township contributed \$512,095 toward the operation of the system. In addition, debt payments of \$532,076, including principal and interest, were made to the Utility Authority. Complete financial statements for the Utility Authority can be obtained from the administrative offices at 46425 Tyler Road, Van Buren Twp., Michigan 48111. The Charter Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 14 - Contingency

In 2004, the Charter Township offices were condemned due to unhealthy conditions. The Charter Township offices were relocated and the former building has been demolished. The Charter Township is unaware of any contingent liabilities associated with the building or potential health concerns with current or former employees.

Required Supplemental Information

Charter Township of Huron

Required Supplemental Information December 31, 2007

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds except that operating transfers and the proceeds of long-term financing have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).” Also proceeds from long-term debt have been netted against capital outlay, rather than shown separately as “revenue” and “expenditures.”

The annual budget is prepared by the Charter Township supervisor and adopted by the Charter Township board; subsequent amendments are approved by the Charter Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the Charter Township board) for the General Fund, Fire Fund, and Police Fund, is presented as required supplementary information. The adoption of budgets resulting in fund deficits is a violation of Michigan law. Information comparing other Special Revenue Fund activity to the respective budgets can be obtained at the township hall.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Huron incurred an expenditure that was significantly in excess of the amount budgeted, as follows:

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Special Revenue Fund - Fire Fund - Bad debt expense	\$ -	\$ -	\$ 45,016	\$ (45,016)

Charter Township of Huron

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenue				
Current property taxes	\$ 369,000	\$ 404,000	\$ 404,947	\$ 947
Penalties and interest on taxes	20,000	28,700	29,475	775
Property tax administration fees	194,000	209,000	209,374	374
Trailer fees	9,000	9,000	8,958	(42)
Cable franchise fees	120,000	131,000	131,676	676
Building licenses and permits	283,000	174,100	180,688	6,588
Other licenses and permits	2,000	2,000	2,465	465
Animal licenses	9,000	9,000	9,554	554
Federal grants	14,200	88,654	87,237	(1,417)
State grants	17,800	18,621	19,787	1,166
State revenue sharing	1,163,000	993,494	1,028,109	34,615
Zoning and planning commission fees	12,000	12,000	16,950	4,950
LDFA administration fees	20,000	20,000	20,000	-
Water department administration fees	140,000	140,000	140,000	-
Rubbish and recycling collection charges	615,000	643,000	644,561	1,561
Sales and service charges	20,000	28,900	28,320	(580)
Penalties and customer accounts	14,000	14,000	14,687	687
Interest income	80,000	199,000	190,715	(8,285)
Rent	30,500	42,500	49,250	6,750
Other	7,500	67,164	140,348	73,184
Transfer from other funds	70,000	170,000	170,951	951
Total revenue	3,210,000	3,404,133	3,528,052	123,919
Expenditures				
Charter Township board	57,840	63,340	60,456	2,884
Charter Township supervisor office	126,305	136,605	129,609	6,996
Charter Township supervisor PTAF	70,000	73,000	56,285	16,715
Elections	34,500	34,500	30,057	4,443
Accounting department	138,650	130,150	96,120	34,030
Auditing fees	38,000	38,000	17,315	20,685
Attorney fees	30,000	30,000	20,692	9,308
Budget department	40,000	40,000	29,737	10,263
Charter Township clerk	142,050	148,350	141,590	6,760
General office	187,700	180,700	166,387	14,313
Retirement Fund administration	-	1,000	70	930
Board of Review	6,500	6,500	6,519	(19)
Charter Township treasurer's office	209,400	204,400	194,659	9,741
Charter Township treasurer's PTAF	72,900	72,900	64,632	8,268
Data processing and computer development	35,500	35,500	23,537	11,963
Charter Township hall and grounds	89,300	131,900	125,204	6,696
Cemetery maintenance	14,000	10,000	4,445	5,555
Annual employee recognition	1,000	1,000	-	1,000
Unallocated	94,000	56,500	61,730	(5,230)
Communications	375,200	375,200	368,740	6,460

Charter Township of Huron

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Expenditures (Continued)				
Building department	\$ 384,140	\$ 300,140	\$ 291,168	\$ 8,972
Planning and zoning	209,600	235,600	234,000	1,600
Cable communication commission	-	17,350	15,298	2,052
Animal control	41,130	41,130	39,485	1,645
Street lighting and beautification projects	134,200	107,200	99,812	7,388
Recycling	9,100	8,300	12,356	(4,056)
Rubbish collection	582,300	595,600	595,155	445
Dust control	8,000	8,500	8,500	-
Drains	73,100	87,850	79,724	8,126
Agency on aging	74,862	161,216	133,688	27,528
Recreation commission	53,900	43,900	45,896	(1,996)
Historical commission	7,060	9,524	8,085	1,439
Insurance and bonds	54,500	54,500	48,978	5,522
Transfers to other funds	127,000	427,000	326,999	100,001
Total expenditures	3,521,737	3,867,355	3,536,928	330,427
Net Change in Fund Balance	(311,737)	(463,222)	(8,876)	454,346
Fund Balance - Beginning of year	1,866,971	1,866,971	1,866,971	-
Fund Balance - End of year	<u>\$ 1,555,234</u>	<u>\$ 1,403,749</u>	<u>\$ 1,858,095</u>	<u>\$ 454,346</u>

Charter Township of Huron

Required Supplemental Information

Budgetary Comparison Schedule - Major Special Revenue Fund - Fire Fund

Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenue				
Property taxes	\$ 960,000	\$ 960,000	\$ 969,062	\$ 9,062
Federal sources	25,227	25,227	25,227	-
Rescue service charges	150,000	150,000	120,384	(29,616)
Fire runs and protection	10,000	10,000	6,681	(3,319)
Interest income	55,000	95,000	103,131	8,131
Other revenues	3,800	8,300	2,657	(5,643)
Total revenue	1,204,027	1,248,527	1,227,142	(21,385)
Expenditures				
Personnel wages	675,098	639,098	615,400	23,698
Personnel fringe benefits	256,100	165,770	155,724	10,046
Supplies	69,500	64,500	41,413	23,087
Professional and contractual services	13,800	13,800	11,965	1,835
Communication	10,500	10,500	4,389	6,111
Transportation	62,500	52,500	40,032	12,468
Community programs and publications	4,000	4,000	1,743	2,257
Insurance and bonds	41,500	41,500	36,388	5,112
Public utilities	50,000	40,000	29,879	10,121
Repairs, maintenance, and rentals	20,500	20,500	11,157	9,343
Education, training, dues, and miscellaneous expenses	41,000	42,000	30,903	11,097
Bad debt expense	-	-	45,016	(45,016)
Capital outlay	76,000	66,000	46,543	19,457
Transfers to other funds	181,165	181,165	181,165	-
Total expenditures	1,501,663	1,341,333	1,251,717	89,616
Net Change in Fund Balance	(297,636)	(92,806)	(24,575)	68,231
Fund Balance - Beginning of year	1,657,578	1,657,578	1,657,578	-
Fund Balance - End of year	<u>\$ 1,359,942</u>	<u>\$ 1,564,772</u>	<u>\$ 1,633,003</u>	<u>\$ 68,231</u>

Charter Township of Huron

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund - Police Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenue				
Property taxes	\$ 2,256,000	\$ 2,405,000	\$ 2,403,511	\$ (1,489)
Federal grants	-	16,640	23,741	7,101
State grants - DRANO	16,500	18,900	17,124	(1,776)
State grants - ATPA	50,000	60,000	64,635	4,635
State grants - Liquor control	4,400	4,400	4,607	207
State grants - Public safety	-	600	1,135	535
Community policing program	77,600	77,600	77,604	4
School liaison program	72,000	72,000	75,411	3,411
Fines and forfeits 34th District Court and OUIL	258,000	228,000	216,614	(11,386)
Michigan Justice Training Act 302	5,000	5,000	5,282	282
Other revenues, sales, interest, and miscellaneous	21,500	57,100	67,374	10,274
Donations - DARE and GREAT	10,000	13,600	13,851	251
Total revenue	2,771,000	2,958,840	2,970,889	12,049
Expenditures				
Salaries and wages	1,602,991	1,592,991	1,498,177	94,814
Fringe benefits	643,300	613,300	590,948	22,352
Supplies	72,287	74,287	65,004	9,283
Professional and contractual services	102,500	94,500	89,989	4,511
Communication	23,500	23,500	21,472	2,028
Transportation	26,500	26,500	32,998	(6,498)
Community programs and publications	15,000	15,000	21,189	(6,189)
Insurance and bonds	50,000	51,600	47,904	3,696
Public utilities	25,000	25,000	21,985	3,015
Repairs, maintenance, and rentals	63,265	65,265	62,828	2,437
Education, training, dues, and miscellaneous expenses	35,100	26,150	20,900	5,250
Capital outlay	-	25,150	25,145	5
Transfers to other funds	83,561	247,061	246,111	950
Total expenditures	2,743,004	2,880,304	2,744,650	135,654
Net Change in Fund Balance	27,996	78,536	226,239	147,703
Fund Balance - Beginning of year	29,683	29,683	29,683	-
Fund Balance - End of year	\$ 57,679	\$ 108,219	\$ 255,922	\$ 147,703

Other Supplemental Information

Charter Township of Huron

	Special Revenue Funds					
	Compensated Absences	Cable P.E.G.	Drug Law Enforcement	911 Service	Retirement Health Care	Road Improvement Fund
Assets						
Cash and cash equivalents	\$ 74,156	\$ 118,965	\$ 143,374	\$ -	\$ 693,181	\$ 93,270
Receivables - Net	-	-	-	-	-	248,918
Total assets	<u>\$ 74,156</u>	<u>\$ 118,965</u>	<u>\$ 143,374</u>	<u>\$ -</u>	<u>\$ 693,181</u>	<u>\$ 342,188</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 4,439	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	101,395
Deferred revenue	-	-	-	-	-	230,863
Total liabilities	-	-	4,439	-	-	332,258
Fund Balance - Undesignated	<u>74,156</u>	<u>118,965</u>	<u>138,935</u>	<u>-</u>	<u>693,181</u>	<u>9,930</u>
Total liabilities and fund balances	<u>\$ 74,156</u>	<u>\$ 118,965</u>	<u>\$ 143,374</u>	<u>\$ -</u>	<u>\$ 693,181</u>	<u>\$ 342,188</u>

**Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2007**

Capital Improvement Fund	Debt Service Fund	Total
\$ 101,243	\$ -	\$ 1,224,189
-	-	248,918
<u>\$ 101,243</u>	<u>\$ -</u>	<u>\$ 1,473,107</u>
\$ 11,440	\$ -	\$ 15,879
-	-	101,395
-	-	230,863
11,440	-	348,137
89,803	-	1,124,970
<u>\$ 101,243</u>	<u>\$ -</u>	<u>\$ 1,473,107</u>

Charter Township of Huron

	Compensated Absences	Cable P.E.G.	Drug Law Enforcement	911 Service	Retirement Health Care	Road Improvement Fund
Revenues						
Local sources	\$ -	\$ -	\$ -	\$ 50,951	\$ -	\$ -
Fines and forfeitures	-	-	103,927	-	-	-
Interest and other	3,221	34,900	4,965	-	19,261	33,817
Total revenues	3,221	34,900	108,892	50,951	19,261	33,817
Expenditures						
Capital outlay	-	21,518	25,420	-	-	-
Retiree healthcare costs	-	-	-	-	101,280	-
Debt service	-	-	-	-	-	18,785
Total expenditures	-	21,518	25,420	-	101,280	18,785
Excess of Revenues Over (Under) Expenditures	3,221	13,382	83,472	50,951	(82,019)	15,032
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	336,580	-
Transfers out	-	-	-	(50,951)	-	-
Total other financing sources (uses)	-	-	-	(50,951)	336,580	-
Net Change in Fund Balances	3,221	13,382	83,472	-	254,561	15,032
Fund Balances (Deficit) - Beginning of year	70,935	105,583	55,463	-	438,620	(5,102)
Fund Balances - End of year	\$ 74,156	\$ 118,965	\$ 138,935	\$ -	\$ 693,181	\$ 9,930

**Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2007**

Capital Improvement Fund	Debt Service Fund	Total
\$ -	\$ -	\$ 50,951
-	-	103,927
<u>2,414</u>	<u>-</u>	<u>98,578</u>
2,414	-	253,456
114,586	-	161,524
-	-	101,280
<u>-</u>	<u>132,218</u>	<u>151,003</u>
<u>114,586</u>	<u>132,218</u>	<u>413,807</u>
(112,172)	(132,218)	(160,351)
200,000	132,218	668,798
<u>-</u>	<u>-</u>	<u>(50,951)</u>
200,000	132,218	617,847
87,828	-	457,496
<u>1,975</u>	<u>-</u>	<u>667,474</u>
<u>\$ 89,803</u>	<u>\$ -</u>	<u>\$ 1,124,970</u>

Charter Township of Huron

**Report to the Board of Trustees
December 31, 2007**



Plante & Moran, PLLC
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To the Board of Trustees
Charter Township of Huron

We have recently completed our audit of the basic financial statements of the Charter Township of Huron (the "Township") for the year ended December 31, 2007. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Township:

	<u>Page</u>
Report on Internal Control	2-3
Results of the Audit	4-6
Summary of Unrecorded Possible Adjustments	7
Other Recommendations	8-9
Informational - Legislative Matters, etc.	10-13

We are grateful for the opportunity to be of service to the Township. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

June 2, 2008

Report on Internal Control

June 2, 2008

To the Board of Trustees
Charter Township of Huron

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Charter Township of Huron's (the "Township") financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Township as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

To the Board of Trustees
Charter Township of Huron

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a material weakness:

- **Auditor Proposed Journal Entries** - During the course of the audit, journal entries were proposed by the audit team in order for the financial statements to be in accordance with generally accepted accounting principles. The entries pertained to recording capital asset additions and adjustments to net assets in the Water and Sewer Fund.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

This communication is intended solely for the information and use of management, the board, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Beth A. Bialy



Brian J. Camiller

Results of the Audit

June 2, 2008

To the Board of Trustees
Charter Township of Huron

We have audited the financial statements of the Charter Township of Huron (the "Township") for the year ended December 31, 2007 and have issued our report thereon dated June 2, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 12, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Charter Township of Huron. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on March 24, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Huron are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007.

To the Board of Trustees
Charter Township of Huron

We noted no transactions entered into by the Charter Township of Huron during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated June 2, 2008.

To the Board of Trustees
Charter Township of Huron

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

This information is intended solely for the use of the Township board and management of the Charter Township of Huron and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Beth A. Bialy



Brian J. Camiller

To the Board of Trustees
Charter Township of Huron

Client: **Huron Charter Township**
Opinion Unit **Business-type Activities**
Y/E: **December 31, 2007**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

		Increase (Decrease)				
Ref. #	Description of Misstatement	Assets	Liabilities	Net Assets	Revenue	Expenses
Known Misstatements:						
A1						
A2						
Estimate Adjustments:						
B1	Township's equity interest in SHVUA					
	(approximately 10% of SHVUA equity)	\$ 63,000		\$ 63,000		
B2						
Implied Adjustments:						
C1						
C2						
		-	\$ -	-	\$ -	\$ -
	Combined effect	<u>\$ 63,000</u>	<u>\$ -</u>	<u>\$ 63,000</u>	<u>\$ -</u>	<u>\$ -</u>

I acknowledge the passed audit adjustment above.

Karen Carney, Financial Administrative Assistant

Other Recommendations

Charter Township of Huron

Other Recommendations

Accounting for Forfeitures

The Charter Township of Huron (the “Township”) receives drug forfeiture revenues from local, state, and federal sources. The forfeiture funds are accounted for in a separate Special Revenue Fund, but the expenditures are not tracked by source to readily identify the federal expenditures. The Township should put a procedure in place to track the source and use of forfeiture revenues and expenditures and the allocation of ending fund balance. This will ease the preparation of required reports to funding agencies. In addition, federal forfeiture expenditures would be readily available for A-133 determination purposes.

Fund Deficit

As of December 31, 2007, the LDFA-Pinnacle Fund had an unchanged fund deficit of \$26,596. This deficit should be eliminated when the authority begins capturing property taxes. A deficit elimination plan is required to be filed with the State.

LDFA Liability

The LDFA component unit has an outstanding liability in the amount of \$144,000 for over-captured property taxes due to changes in the capture rules as a result of Proposal A. This amount has remained unchanged for the past several years despite repeated attempts by the Township to resolve the issue with the State. The LDFA has the means to repay this amount should the State request repayment.

Informational

Revenue Sharing

The future of the State's revenue-sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The State was approximately \$1.8 billion short of the revenue needed to cover basic services for the State's 2007/2008 budget. The legislature and the governor acted on October 1 to increase the income tax rate (from 3.9 percent to 4.35 percent, raising more than \$750 million). In addition, the Michigan single business tax has been eliminated effective December 31, 2007 and a new Michigan business tax has been implemented as a replacement. The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula Expired in 2007** - Legislative action was required on this Act for appropriations to continue into 2008 and beyond.

It is unclear what the outcome will be regarding the short-term and long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing in the future. Local governments may need to react with budget amendments when these final decisions are made by the State.

With the appropriation reductions to revenue sharing since 2001 (including more than \$550 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of townships are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State's budget, the State is required to reduce the statutory portion of a local unit's revenue sharing (remember that the constitutional portion cannot be adjusted). Many townships no longer have any statutory revenue sharing remaining as a result. For those communities, because sales tax collections have increased since 2001, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing.

Charter Township of Huron

Informational (Continued)

The table below details state-shared revenue for the Township since 2001 broken out by statutory and constitutional portions:

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>
2001	\$ 368,602	\$ 845,813	\$ 1,214,415
2002	322,036	903,278	1,225,314
2003	232,636	905,119	1,137,755
2004	145,516	905,295	1,050,811
2005	123,881	938,033	1,061,914
2006	109,603	943,209	1,052,812
2007	98,213	929,896	1,028,109
2008 estimate	91,071	921,249	1,012,320

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$91,000 at risk in its General Fund budget based on 2007 funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

Property Tax Legislation

A series of House bills was introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent - until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred as the uncapped value or the pop-up value. As several published studies and reports have demonstrated, the treatment of uncapped values or the pop-up amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- **House Bill 4440** - This bill establishes an 18-month moratorium on the pop-up or uncapping of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The pop-up or uncapping of taxable value would be delayed until the property was sold or transferred in later years.

Charter Township of Huron

Informational (Continued)

- **House Bill 4441** - This bill increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- **House Bill 4442** - This bill would change the General Property Tax Act to exempt the pop-up or uncapped value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as additions to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

Healthcare Liability

As mentioned last year, the Governmental Accounting Standards Board released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The promise to provide health care to retirees is very similar to the promise to provide an annual pension check. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The statement requires the Township to have an actuarial valuation to define the liability and the liability will need to be disclosed in the financial statements. In addition, the Township's funding status, or the progress it has made in accumulating assets to pay for this liability, would also be disclosed

The new pronouncement is effective for the year ending December 31, 2009. While the Township has accumulated some monies to fund its obligation for retiree health care in the Retirement Health Care Special Revenue Fund, the Township, like most all other governmental units, is not actuarially funding this liability like a pension system. These new standards allow the Township to fund the determined actuarial accrued liability for benefits provided and earned to date over 30 years. The Township may choose not to, or may not be able to, make the total actuarially determined annual payment. If that is the case, the unfunded status will be disclosed in the notes to the financial statements. We recommend that the Township complete the actuarial valuation of this benefit obligation to fully understand the dollar implication to the Township's budget.